

Balboa Park Improvements Financing

The Park and Recreation Board has requested a briefing on the financing options and issues related to improvements in Balboa Park. Although the Zoological Society of San Diego has agreed not to attempt to devise a financing plan only for the Park Boulevard Promenade project, the Society has developed some preliminary information on how a parkwide financing plan might work. This information is presented in four sections:

- 1) Background
- 2) City revenue increases resulting from the improvements
- 3) Devising the financing plan
- 4) Revenues for retiring the capital cost debt
- 5) Public funding priorities

Important note: The financing information set forth here is not conclusive; there are many unanswered questions that will be addressed in the future. At the request of the City and other Balboa Park institutions, the Society agreed NOT to explore or pursue funding sources until a more thorough list of improvements throughout Balboa Park was composed. Their reasons are:

- 1) Concern that if funding for only a portion of the needed Balboa Park Improvements succeeds, then it is unlikely that any future Balboa Park improvements could be financed. There may be only “one bite at the apple” for Balboa Park and a financing plan must be as comprehensive as possible.
- 2) Wanting the benefit of plan amendments that may emerge from the City’s parking and circulation study (Jones & Jones study) before preparing a list of Balboa Park public improvements to be funded.
- 3) Financing plans are not required nor have ever been done for community plans or at the plan amendment stage. Such plans typically contain goals for public infrastructure, with financing taking place as capital improvement and budget priorities are set citywide. It would be inappropriate to have a different standard for these plan amendments than for other past and future plan amendments.

Background

The overall purposes of the Park Boulevard Promenade are: (1) increase the amount of space for the San Diego Zoo for conservation oriented, bioclimatic exhibits to facilitate the conservation, education, and research activities needed to save endangered and threatened species, (2) improve ease of visitor access to the North Prado, both now and given future growth, and (3) strengthen the connection between the Zoo entry and other North Prado institutions.

The Zoological Society of San Diego and other zoos of North America are working to preserve threatened and endangered species as their natural habitats are destroyed around the world. Wars, famine and increasing population demands are encroaching into wild habitats at an alarming rate. The ability to import exotic species from abroad also is diminishing because of

disease and government regulation. The only solution is to create self-sustaining populations in North America's zoos.

The San Diego Zoo is in the forefront of these preservation, conservation and breeding efforts. Larger, more natural exhibits are key to this success. San Diego's coastal Mediterranean climate provides a hospitable environment to a wide variety of sensitive species that cannot survive in colder or warmer climates, such as the Wild Animal Park. The San Diego Zoo needs more space for its exhibits if it is to continue playing a leading role in saving the world's endangered and threatened species.

Expanding exhibit space into the existing parking lot means re-locating approximately 2800 parking spaces, as well as planning for attendance growth into the future. During the year-long Working Group process, the need for a parking structure to serve more than the Zoo was based on three key points: (1) simply replacing lost surface spaces is not sufficient because it does not account for current parking deficits or future growth demand, (2) sizing the parking structure to handle only Zoo demand ignores the fact that it is public parking serving all park visitors, and (3) sizing the parking structure larger than the proposed 4803 spaces is impractical because of the physical constraints of the site.

Of course, the Park Boulevard Promenade parking structure is only one part of a larger park wide parking solution. When the City has decided on other needed parking improvements, one financing proposal for all the parking improvements will be devised.

The Society has long recognized that financing the Park Boulevard Promenade and other Balboa Park improvements would be a significant challenge of great public interest. After submitting the proposed Park Boulevard Promenade plan amendments for City processing in May 2001, the Society retained a team of financial experts--Salomon Smith Barney and Saybrook Capital--to provide analysis and advice on possible financing options. The Society hosted a public meeting in April 2002 to present preliminary financing information on the Park Boulevard Promenade, the Organ Pavilion parking structure and other park improvements.

In the meantime, the City began the process of retaining consultants to study parking and circulation issues throughout Balboa Park. Some members of the public, representatives of other park institutions and the City expressed concern that financing the Park Boulevard Promenade and the Organ Pavilion parking structure would preclude financing other needed parking improvements in Balboa Park. Because of these concerns, the Society agreed to delay further discussion of financing until the City's study was complete and all parking improvements were identified. After a parking plan was complete, the City and other interested parties, including the Society, would work on devising a financing plan for the entire park.

City Revenue Increases Resulting from the Improvements

Financial investments in certain parks, such as Balboa Park and Mission Bay Park, generate new City revenue, as well as provide significant public amenities. Data are available on the revenue generated as a result of the Zoo exhibits expansion and the Park Boulevard Promenade public improvements through a CIC Research Study prepared for the San Diego County Taxpayers Association.

The following were the major findings of CIC's analysis.

- The economic impact of the San Diego Zoo (direct and indirect) on the San Diego region during 2002 was an estimated \$514 million. (This figure does not include the Wild Animal Park.) This \$514 million in regional output supported \$160 million in household income (i.e., wages and salaries) and nearly 5,750 jobs. Fiscal tax revenues for local governments totaled \$11.7 million of which \$6.4 million was revenue collected by the City of San Diego.
- The economic impact (direct and indirect) of the proposed expanded Zoo would generate an estimated \$703 million within the San Diego region. (This figure does not include the Wild Animal Park.) This \$703 million in regional output would support \$219 million in household income and nearly 7,990 jobs. Countywide local government fiscal revenues would total \$15.3 million of which \$8.6 million would be revenue collected by the City of San Diego.
- The expanded Zoo would generate a 37 percent greater economic impact for the local region than the Zoo in its current configuration and size. Estimated fiscal revenues would increase by 35 percent for the City of San Diego and 31 percent countywide.

In addition to the Zoo's economic impacts, the City's Arts and Culture Commission has analyzed the economic impacts of the City's non-profit arts and culture organizations. Many of the major non-profit arts and culture organizations are located in Balboa Park. The Arts and Culture Commission report included the following major findings:

- San Diego's non-profit arts and culture attractions brought at least 1.8 million cultural tourists to the region, who contributed \$235 million to the local economy.
- Direct spending by these organizations contributed \$106.6 million to the local economy. This resulted in a financial impact of \$213.2 million in 2001.

This report demonstrates that providing infrastructure for all the arts and culture institutions in Balboa Park, as well the Zoo, provides economic benefits and increased tax revenues to the City.

Devising the Financing Plan

The Society has anticipated that a financing plan would result from a public, community process similar to the process that resulted in the Park Boulevard Promenade. To insure broad community support, a wide range of stakeholders interested in the City's finances and Balboa Park should be convened to discuss, analyze and select from all the financing options. Such a group would include representatives of the park institutions, community groups, tourism industry, business community, labor organizations, taxpayer associations and political experts, among others. City staff and financial consultants also should be involved. The Society expects it would take about one year to develop a financing plan. Work on financing would occur after the City has approved the final plan amendments that result from the Jones and Jones study and a complete list of all Balboa Park improvements has been compiled.

Revenues for Retiring the Capital Cost Debt

Finding revenues sources for retiring debt on capital improvements in Balboa Park is a significant policy challenge. Reasonable persons may differ on the correct policy choices that must be made on public or private financing. For instance, there are legitimate differences of opinion on whether paid parking would be appropriate for financing park improvements. Some people believe paid parking places the cost burden on the people who actually use the improvements, while others believe paid parking precludes park access for lower income residents. Political considerations also will be taken into account. It is possible that the public would be more likely to support a financing package that preserves free parking, rather than a combination of financing options that include paid parking. Paid parking in Balboa Park also is part of the larger discussion on whether paid parking should be expanded into other areas of the City, its parks and beaches. A final decision on San Diego's choice for this issue will occur only after months of public debate and discussion.

Since the Park and Recreation Board's last meeting, observers have suggested to the Society that any discussion of paid parking in Balboa Park is premature and could lead to an adverse reaction to the Park Boulevard Promenade and other parking improvements in Balboa Park. Some have advised the Society that even raising the issue could be used against the Society, because some people might claim that paid parking is the Society's "hidden agenda" in Balboa Park.

The Society is NOT advocating paid parking in Balboa Park. Paid parking is not part of the proposed project. And paid parking is not inevitable for financing a parkwide parking solution. The Society would prefer that a financing plan not include paid parking and is concerned that including paid parking would diminish, rather than increase, public support for any improvements in Balboa Park. In addition, there should be a marketing study on how paid parking would affect the attendance of the Zoo and other park institutions. The City should determine whether paid parking would have negative financial impacts on the park institutions before a final financing decision is made. Finally, it may be premature to consider paid parking until after the public and the City Council have eliminated all other financing possibilities.

Given these comments, however, it would be inappropriate for any discussion of financing not to at least provide some information on the topic of paid parking. A full, complete public discussion of financing should mention paid parking so that all involved can make an informed decision on its merits. The Society would rather be criticized for providing information about paid parking than be criticized for failing to provide complete financing information. For that reason, possible paid parking revenues are included in the tables below.

Similarly, the possibility and extent of public and private financing should be discussed. The Balboa Park institutions, including the Society, will benefit greatly from the new parking infrastructure and, for this reason, there is a belief the institutions should contribute to the costs. However, the institutions and the park are public amenities, which benefit the citizens at large. It is conceivable that no one source, either private or public, will satisfy the revenue demand. Therefore, some combination of revenues may be needed. The mix and extent of each revenue source should be debated publicly at length.

The financial consultants for the Society did some preliminary calculation on the amounts of funding that could be raised from various sources. These calculations are presented in the following table. This table does NOT represent the Society's opinion or preference. The table

was created simply to demonstrate how different revenue sources might be used. They are meant to be exemplary only.

Possible Revenue Scenarios Table 1				
Possible New Revenue Sources	Visitors/ Members	Fee Increase Per Unit	Expenses Per Unit	Total Net Revenues
Net Parking Revenue – Zoo Visitors ⁽¹⁾	860,606	\$7.00	(\$1.51)	\$4,727,439
Net Parking Revenues – Other Visitors ^{(2) (3)}	258,182	\$7.00	(\$1.51)	\$1,418,232
Average Membership Fees	261,305	\$4.00	N/A	\$1,045,220
Admission Ticket "Tax" – Zoo	2,380,000	\$6.00	N/A	\$14,280,000
Other Balboa Park Institution Ticket "Tax" (Estimate) ⁽³⁾	1,200,000	\$3.00	N/A	\$3,600,000
Total Possible New Revenue Sources				\$25,070,890
<u>Other Potential Revenue Sources</u> Transportation/Federal & State Grants Statewide Initiatives/Taxes Special Assessment District Taxes Unencumbered City Parking Revenues Additional City/County Taxes – GO Bonds Rental Car Taxes				
<hr/> <u>Footnotes</u> ⁽¹⁾ Based on an increase in annual Zoo attendance to 4 million. Assumes 71% of Zoo attendees arrive by car, with an average of 3.3 occupants per vehicle. Parking expenses are based on subterranean parking expenses of \$550 per space per annum. ⁽²⁾ Assumes 1.2 million visitors per year to other Balboa Park institutions and 71% of institution attendees arrive by car, with an average of 3.3 occupants per vehicle. Parking expenses are based on subterranean parking expenses of \$550 per space per annum. ⁽³⁾ Need Accurate information regarding the number of visitors to other Balboa Park institutions.				

The consultants also generated a second chart below which demonstrates the amount needed from various funding sources to retire bonds for \$50 million in project costs. Again, this is not a recommendation, but merely an illustration that assists the consideration of various funding sources.

Preliminary Bond Capacity Analysis
Table 2

Ad Valorem Property Taxes

\$2.00 per \$1000,000 in Assessed Value = \$50 Million Net Project Costs Funded

Transient Occupancy Taxes

\$0.70 per \$100 in Room Rentals = \$50 Million Net Project Costs Funded

Sales Taxes

\$0.035 tax per \$100 in Taxable Sales = \$50 Million Net Project Costs Funded

Parking Fees

\$6.50 Daily Parking Fee = \$50 Million Net Project Costs Funded

Institution Admission Fees

\$1.30 Increase in Admission Fees = \$50 Million Net Project Costs Funded

The tables result in a few interesting observations:

- Paid parking may not be a viable source for the capital costs. A visitor would need to pay an extraordinarily high amount to park in the Central Mesa in order to retire the debt. For instance, to pay off a \$300 million debt, the parking fee would be \$39.
- With only a small sales tax or property tax increase a large project could be financed. A home with an assessed value of \$300,000 would experience a \$36/year tax increase to retire a \$300 million dollar bond or a \$60/year increase for a \$500 million bond.
- Sales tax would increase by a ¼ percent to retire just over \$300 million bond and ½ percent would retire just over \$600 million bond. (Sales taxes are made in ¼ percent increases.)
- Admission fee increases are not viable as the sole support for a major bond issue for public improvements in Balboa Park. To retire \$300 million in debt would require substantial admission fee increases (\$7.80) for the institutions.

These illustrations offer insight on how the various sources may be inter-mixed to ultimately fund public improvements in Balboa Park. The exact amount/mix/match will be the subject of future discussions by stakeholders.

Public discussion also should focus on the increased tax revenues the Balboa Park institutions would generate because of the improved park infrastructure. Some or all of this increased revenue could be dedicated to paying for the improvements.

Public Funding Priorities

There is always significant competition for public revenues and many opinions on what should have the highest priorities. Ultimately the voters will decide.

Not surprising, Balboa Park is held in high regard by voters. Considered by many as the “crown jewel” of San Diego, it is the focal point of community and civic pride. Even in the context of competing priorities related to housing, infrastructure, habitat and transportation, a bond issue for public improvements in Balboa Park has a decent chance of success.

In addition, as pointed out above, investing in Balboa Park generates increased City revenues by allowing the direct and indirect economic impacts of the park institutions to increase significantly.

Comparing the economic impacts of selected infrastructure projects provides some enlightenment that may aid the public in prioritizing. A possible new stadium for NFL football is under discussion. The estimated cost for a such a structure is about \$500 million. Its proponents argue that one economic benefit will be Super Bowls every seven or 10 years, which each may generate \$320 million in economic return. However, the CIC study discussed above estimates that the expanded Zoo would generate more than \$700 million in economic benefit every year. That's the equivalent of two Super Bowls every year. The economic benefits of the other arts and cultural institutions in Balboa Park also would increase because of the new infrastructure, resulting in even greater tax revenues for the City. Based on comparing the economic return of the NFL to Balboa Park's institutions, Balboa Park infrastructure appears to be the superior investment.

At this point, it is too early in the process to devise a financing plan that would meet the widest public acceptance. Much information and analysis must be reviewed and discussed in the public arena before final decisions are made. To be successful, however, a large majority of the public must agree before any plan in Balboa Park will be implemented.